



**CITY OF SCOTTSDALE  
TOURISM DEVELOPMENT COMMISSION  
WORK STUDY MEETING**

**Tuesday, September 17, 2019**

**The Saguaro Scottsdale  
Anchusa 1 Ballroom  
4000 N. Drinkwater Boulevard  
Scottsdale, Arizona 85251  
**APPROVED MINUTES****

- PRESENT:** Linda Dillenbeck, Chairperson  
Camille Hill, Vice Chair  
Jeanne Alspaugh  
Sherry Henry  
Ken McKenzie  
Richard Newman  
David Winter
- STAFF:** Karen Churchard  
Steve Geiogamah  
Randy Grant  
Ana Lia Johnson  
Joy Racine  
Christy Hill
- GUESTS:** Councilmember Virginia Korte  
Councilwoman Suzanne Klapp  
Councilwoman Solange Whitehead  
Rachel Pearson, Experience Scottsdale  
Carolyn Stockel, Experience Scottsdale

**1. Call to Order/Roll Call**

Commissioner Dillenbeck called the meeting of the Scottsdale Tourism Development Commission to order at 8:02 a.m., and noted the presence of a quorum.

## **2. Introduction, Agenda Overview and Objectives**

Steve Geiogamah, Tourism Development Manager provided a brief overview. The main objective will be to identify activities in the market area and develop consensus related to the bed tax fund and Financial Policy 21a as well as development of priorities for staff.

## **3. Overview of City's Priorities and Projects**

Randy Grant stated that a recent reorganization resulted in the joining of the Planning and Development department with Economic Development and Tourism.

He reviewed the strategic objectives of the City Council, including:

- Preserve meaningful space
  - Strengthen walkability of Old Town by improving connectivity between Civic Center, Arts and Canal districts
  - Complete construction of Fraesfield & Granite Mountain trailheads, start work on Pima/Dynamite trailhead
  - Conduct public meetings and gather citizen input on Indian Bend Wash Master Plan
  - Successfully launch the Scottsdale Heritage Connection at Civic Center Library
- Value Scottsdale's unique lifestyle and character
  - Conduct state-required process to update General Plan in preparation for voter approval in 2021
  - Work with San Francisco Giants and Scottsdale Charros to improve spring training facilities and experience
  - Update Old Town design guidelines to enhance the area's high quality planning, architecture & urban design
  - Consider new high quality developments to revitalize Old Town Scottsdale's Arts and Arizona Canal districts
- Support economic vitality
  - Identify locations and funding for additional parking areas to support specialty retail in Old Town
  - Revitalize southern Scottsdale corridors by revitalizing the appearance and vitality of commercial areas
  - Develop and begin implementation of Smart City Strategic Roadmap with citizen and business input
  - Increase WestWorld's vitality through implementing key recommendations from Business Plan final report
  - Carry out the economic development strategy and provide strategic support of tourism and visitor events
  - Track progress towards completion of the Nationwide Realty Investors campus at Hayden & 101
- Enhance neighborhoods
  - Work with community to complete age and dementia-friendly assessment and develop action plan
  - Engage with Cities of Service to expand volunteer opportunities and develop community service plan
  - Explore ways to use new technologies and methods to increase citizen involvement and engagement

- Construct Indian Bend and Desert Mountain fire stations to complete Bond 2015 funded projects
- Work with community to increase donations for programs that benefit seniors and families in need
- Seek sustainability
  - Preserve and enhance environment through energy, green building, solar, solid waste and water initiatives
  - Undertake analysis to determine the cost of development, and whether impact fees should be expanded
  - Prepare and adopt fiscally sustainable operating and capital budgets
  - Reinvest in a high-performance organization and work culture
  - Continue efforts to fund needed, unfunded city infrastructure needs through Bond 2019 program
  - Implement an enhanced water recharge program by constructing four new aquifer storage and recovery wells
- Advance transportation
  - Support efforts to reduce preventable accidents, including consideration of Distracted Driving Ordinance
  - Anticipate and plan for future transportation needs by implementing the Transportation Master Plan
  - Start Hayden & Thomas safety improvements, and reopen Drinkwater Boulevard, Pima & 68th Street bridges
  - Regularly review bus and trolley performance reports to achieve on-time performance and ridership goals
  - Ensure city streets are well maintained to achieve very good rating on Pavement Condition Index

The team is looking at tourism from a larger perspective, including economic development, community design and open space perspectives

Karen Churchard stated that the department motto and vision is, "Simply better service for a world-class community." The focus is on increasing visitors to the City. In addition, the department handles regulatory and permitting functions. The department supports 21,000 jobs through tourism specifically. They have achieved 10.8 million estimated visitors, including 1.7 million international visitors and 9.1 million domestic visitors. During the past fiscal year, \$21.5 million in bed taxes was received. The economic impact is \$3.1 billion.

Contract administration includes Experience Scottsdale, overseeing the Fiesta Bowl Museum contract, management service agreement with Scottsdale Arts, Noriega Studio and Livery Stable, Parada del Sol Rodeo, Old Town Farmers Market and Museum of the West.

Tourism Development includes funding capital projects and research, one-year and multiyear community events, New Venue Fee Program and Matching Event Advertising Program. Major capital projects currently Scottsdale's Museum of the West, Scottsdale Stadium, TPC renovations. Special events include overseeing all process, permitting, applications of events by outside producers. The department processes approximately 250 events annually, predominantly in the Downtown area. An internal event team

consisting of police, fire, risk, streets, transportation, maintenance and public works meets weekly throughout the season to review applications and assist the department.

Special events organized by the City include Western Week, Canal Convergence and Scottsdazzle. There are discussions with the Scottsdale Charros and Scottsdale Chamber of Commerce about a long-term strategy for the Parada del Sol. Bed tax dollars are used to build brand awareness of Old Town. The department's main focuses include City-driven events, external special events and product development. Staff recently traveled to Switzerland to attend a meeting and presentation with the Federal Equestrian International regarding hosting the 2022 World Championships. Staff will to discuss this further at TDC's next meeting. A new event, Scottsdale Skyfest and Balloon Glow, is being planned to be held for the first time in November of 2020.

In terms of product development, the department has been working with Experience Scottsdale to promote more contemporary art, restaurants and architecture. Art Moves Scottsdale is a new concept where artists would create art for installation on the trolley/bus system. The team is working with Experience Scottsdale to create experiences around Old Town, health and wellness and design.

In response from a question from Councilwoman Klapp, Ms. Churchard stated that the art would be installed on the outside of the trolleys in a wraparound fashion.

#### **4. Overview of Experience Scottsdale's Priorities and Projects**

Rachel Pearson, Experience Scottsdale, stated that their primary goal is to attract high value visitors who have a true appreciation for what the City has to offer. The mission also includes highlighting the City as a year-round destination. The board has refined its vision as follows: "To establish Scottsdale as a year-round luxury travel destination." The mission is to "Enhance the local community by promoting the Scottsdale area as a luxury destination for meetings, travel, events and leisure travel."

Objectives include:

- Generate visitor-related economic impact for Scottsdale market area
- Foster positive relationships with customers and stakeholders
- Run an effective business
- Enhance the long-term health and development of the destination

Areas of focus include:

- Drive incremental business during need times
- Find new customers
- Tell more in-depth stories
- Increase community and member engagement

City bed tax priorities include:

- Super Bowl

- Scottsdale Civic Center
- Old Town

## **5. Tourism Program Budget Revenue Fund Forecast**

Ana Lia Johnson stated that the projected amount for bed tax collection in 2019/20 will be \$21.5 million. The projections for 2018/19 were forecast to be \$21 million, however the actual amount collected was \$22.4 million. Payments on the Princess Hotel total approximately \$1.9 to \$2 million per year. The estimated budget for 2020/21 is \$23.5 million.

Bed tax collections are allocated as follows:

- 50 percent: Destination Marketing (Experience Scottsdale)
- 12 percent: General Fund
- 9 percent: Tourism related events and event development
- 4 percent: Administration and research
- 25 percent plus 100 percent of lease collections: Other commitments

Events and Event Development consists of:

- \$520,000: Multi-year event funding
- \$320,000: One-year event funding
- \$730,000: Event funding programs
- \$350,300: Undesignated, uncommitted

Administration and research includes:

- \$100,000: Tourism research
- \$168,000: Production & staffing of City events
- \$40,000: Digital social media
- \$100,000: WestWorld marketing
- \$453,000: Administrative expenses

Forecasted expenditures for other commitments whether one year or multiyear and anticipated use of carryover funds was reviewed. For 2019/20, there is an anticipated need of \$141,000 in carryover funds, \$263,300 in 2020/21 and \$307,500 in 2021/22. These amounts include one-time commitments to debt service for capital projects as well as Scottsdale Stadium debt.

Other commitments/use of carryover fund amounts for FY 2019/20 include:

Operating:

- \$300,000: Trolley expenses
- \$400,000: Museum of the West match
- \$905,000: Promotion of Downtown
- \$750,000: Canal Convergence
- \$75,000: Special events

Capital:

- \$900,000: TPC Renovations
- \$889,213: Museum of the West
- \$1,200,000: TNEC Equestrian Center
- \$600,000: WestWorld
- \$994,410: Scottsdale Stadium
- \$510,000: Scottsdale Stadium additional

Ending fund balance for 2019/20 is \$5.4 million, which accounts for additional bed tax collected in 2018/19 above forecast. Beginning in 2019/20, the development plan includes reserves for administration and event development.

In response to a question from Carolyn Stockel, Experience Scottsdale, Ms. Johnson confirmed that bed tax collection projections for the next few years include Airbnb bed tax collections.

Chair Dillenbeck referred to the other commitments slide and asked for clarification that the numbers are based on uncommitted, undesignated funds not being spent. Ms. Johnson clarified that the figures reflected are what is actually being spent out of the carryover. Overall, the carryover balance is being spent down over the next couple of years. Ms. Churchard pointed out that there is \$5.4 million in undesignated, unreserved funds. Chair Dillenbeck commented that they are spending more money than they are generating. Ms. Johnson clarified that that are spending the leftover (carryover) monies. Financial policy 21a does not permit overspending.

Chair Dillenbeck asked about the operating contingency. Ms. Johnson stated that it is a placeholder and is not set in the financial policy. It provides budget authority, if needed.

Chair Dillenbeck thanked the City Council members for attending.

The meeting was paused for a brief recess.

## **6. Tourism Program Priorities and Objective**

Christy Hill asked Commissioners to use Post-It notes to brainstorm factors to consider in addressing plans such as market forces travel and consumer trends, competition, community development and character, local issues and destination strengths and weaknesses.

Post-It comments under market forces include:

- Competition from other destinations
- Market recession, elections
- Salt River entertainment
- Hotel over-building
- Possible downturn in the economy
- Trade wars and tariffs
- Economic stability

- Making tourism recession-proof
- Economy downturn
- Possible recession
- Bed tax allocation
- Bed tax does not include new supply

Mr. Geiogamah asked for Commissioners' thoughts from a hotel property perspective regarding the potential of a recession. Commissioner Newman stated that a recession is always a possibility. There is no way to control the economy, but just to react when it does occur. It is nearly impossible to predict the timing of a recession. The priority is to maintain the character, uniqueness and attractiveness of the City as a destination.

Post-It comments on travel and consumer trends included:

- Continued upswing
- Digital social media trends
- Visitor experiences v. just attending
- Airbnb
- Strengthened social media
- Wi-Fi connectivity
- Higher domestic travel expenses for international
- Experiential
- New Uber regulations
- Salt River entertainment

The pros and cons of the Salt River Community's business, developments and hotels was discussed in terms of economic effects on Scottsdale. Chair Dillenbeck commented that Salt River is an economic threat to Scottsdale, because of the entertainment and the family attractions. Salt River Community has the benefit of promoting its businesses by using the Scottsdale name. It was discussed that Experience Scottsdale had a detailed conversation before ultimately allowing membership for any property with a Scottsdale address. If the address is located in Scottsdale or Paradise Valley and provides bed tax to the organization, there is a specified rate. If there is a Scottsdale address, but not actually located in one of these communities and not contributing bed tax to the organization, there is a much higher rate. Commissioner McKenzie commented that those entities are benefitting, yet not contributing at the level that Scottsdale is.

Vice Chair Hill asked whether Experience Scottsdale is ever faced with the prospect of showing a Salt River hotel when someone specifically requests such a site inspection. Ms. Pearson stated that Experience Scottsdale currently works with almost all Salt River hotels. Ms. Stockel commented that their responsibility is to assist the customer and that many customers do not understand the boundaries between cities.

Discussion ensued regarding the impacts of Airbnb activity. Chair Dillenbeck cited an example where a family gathering is occurring. The family may now rent an Airbnb home where otherwise they may have reserved several hotel rooms. This will affect the overall bed tax revenues received. Ms. Pearson stated the greater concerns do not relate to the short term rental market but to the type of property that is coming online. A property such

as Great Wolf will hit a new market that will drive new customers. They drive a moderate, select service category that pulls guests from nearby properties.

Councilmember Korte commented that the Airbnbs are having a negative impact on some neighborhoods and that this should not be ignored. There is likely sufficient pressure on the state legislature that there will be additional ordinances to protect neighborhoods. Neighborhoods are being destroyed as Airbnbs become party houses. Ms. Churchard added that corporations are buying up whole neighborhoods, which is changing the dynamics of neighborhoods. Councilwoman Klapp commented on one positive development, in that Airbnbs are now being identified and taxed.

Councilwoman Solange Whitehead commented on the trend towards ecotourism, quoting a comment from the mayor of Sedona, who said that mountain biking is more important to her than art. Scottsdale is capable of competing with Salt River on ecotourism.

Christy Hill listed the comments related to local issues:

- New buildings not distinctive, look like other places
- Lack of diversity
- Bring people Downtown
- Not enough funds for existing projects
- No growth mentality
- Lack of maintenance and code enforcement
- Using too many tourism dollars for local events
- Increased amenities from surrounding cities

Councilmember Korte addressed the lack of maintenance of streets and code enforcement. Most retailers do not realize they own their sidewalks and should be maintaining them. Vice Chair Hill agreed, commenting on the poor appearance and lack of upkeep. Mr. Grant agreed that this is a challenge, as the property owner is typically required to perform maintenance, which can result in spotty compliance. The alternative would be for the City to provide funding for more consistent maintenance. Ms. Churchard commented that most downtowns have business improvement districts, however the funding is not available.

Ms. Hill addressed the next topic, community development and character. The comments were as follows:

- Infrastructure money to update streetscapes, public spaces
- District, neighborhood, destination identity signatures
- Overall character of Scottsdale
- Property development
- High rises?
- High rise development
- How do new projects contribute to uniqueness of Scottsdale
- Quality
- Lack of public transit
- Mixed brand, old Scottsdale versus new Scottsdale
- Increased livability in summer



- Emerald necklace
- Indoor options
- WestWorld pickleball

Mr. Grant addressed the issue of old versus new Scottsdale in terms of maintaining the character of Old Scottsdale while encouraging renovation, revitalization and new development. Chair Dillenbeck stated you start by not calling it old, as doing so insinuates it is likely old and rundown. Ms. Churchard posed the question of how that perception can be changed. Chair Dillenbeck said that when referred to as “historic,” this creates a different, more positive perception. Commissioner Alspaugh commented that “historic” lends itself to terms such as “iconic” and “preservation,” keeping the iconic and historic factor of the Downtown area.

Ms. Hill asked for comments regarding high rise concerns. Commissioner McKenzie asked for a definition of high rise. Mr. Grant said they would be categorized as six stories and up, such as the Waterfront Towers. Vice Chair Hill said the presence of such buildings makes Scottsdale look like everywhere else. Commissioner Newman stated that this refers back to the identity of Scottsdale in terms of its unique areas. Ms. Stockel commented that if property owners in an area such as Old Town do not buy into the vision for the area, this puts the City in a difficult position.

Mr. Grant asked, “Why do tourists come to Scottsdale?” Chair Dillenbeck said they come for the weather. Ms. Stockel stated that the reasons are varied. When Scottsdale was first established, it was a health and wellness community, especially as a very dry environment. As artists moved in, it became an arts community. This was followed by an influx of golf courses and resorts. Ms. Churchard stated that the Downtown Scottsdale 2.0 study was completed as part of the strategic plan. This and other studies speak to the goal of incorporating the Sonoran Desert into the Downtown area.

Ms. Hill reviewed the list of comments related to competition:

- Hotel oversaturation
- SRP-MIC
- Salt River Entertainment
- Types of special events
- All tourism funds are spent, nothing left for innovative events and producers
- Strategy for tourism
- Organized sports travel, especially for summer - sand volleyball, et cetera
- Competitive markets have high budgets
- Too many hotels
- Appeal of hot second-tier markets

She then listed the comments on destination strengths and weaknesses:

- Strong brand
- Strong RevPAR
- Experience Scottsdale
- Experiences
- Need more summer events

- Parking
- Capitalize on restaurant experiences and diversity
- Destination development
- Air lifts to Phoenix
- Community organizations
- More attractive events
- Luxury
- Tourist hotels, not resorts
- What is the one thing that brings tourists?
- Lack of identity
- Lots of hotel resort products coming on will affect ADR and RevPAR

Ms. Hill addressed question number 2: Develop consensus on the direction of bed tax revenue for next five years. Commissioner McKenzie commented that if revenues remain flat with the increased supply, there will be many upset partners. Mr. Geiogamah asked for input on keeping the rate stable. Commissioner McKenzie commented that most of the supplies coming in are not generating demand, but taking away from already present local demand. All the development on SRP-MIC is troubling, in terms of Scottsdale's goal to support bed tax revenue.

Chair Dillenbeck said that RevPAR is impacted negatively by all the other hotels, as it means more competition and potentially creating a rate war. Commissioner Newman concerned that it leads to a situation of oversupply. Commissioner McKenzie commented that one of Scottsdale's best strengths has been the strength of the group market. With bringing in transient hotels, the only way to survive is to decrease rates.

Vice Chair Hill suggested that bringing groups in has a much broader footprint than the individual tourist. Ms. Pearson acknowledged that the Scottsdale-specific market forecasts projects flat or slightly reduce occupancy, however better than the nation as a whole. Ms. Stockel added that in terms of new development, hotels brands will not build in a market that does not have demand. One of the reasons for so much development in Scottsdale is that the demand is evident.

Ms. Hill addressed question 3: Identify possible modifications, if any, to either the current bed tax allocation policies or to program activities and resultant impact on program activities and bed tax cash flow. Chair Dillenbeck commented that for next year, there is \$258,000 in uncommitted funds, but this means no renewal of Parada, the Gallery Association and the Scottsdale Film Festival multi-year agreements. If these are renewed and the funding for Super Bowl is also confirmed, they have overspent the fund.

Mr. Geiogamah noted that expiring multi-year event funding event agreements do have the option to go in the Community Event Funding Program. Vice Chair Hill acknowledged that difficult decisions will have to be made. Chair Dillenbeck commented that Canal Convergence is critical as an event and visitor driver. The funds are coming out of carryover and should instead be funded in an event category. However, if it was structured that way, the result would be significant overspending. Upcoming funding includes the Super Bowl, possibly funding the horse show, Balloon Glow at WestWorld, Art Lab and in addition, four historic events expire this year. All will want funding and there will be insufficient funding for all. Ms. Churchard stated that funding for Super Bowl could be

recommended to come from the undesignated, uncommitted category and not the Event Development fund.

Councilman Whitehead stated she would like to see a summary of all the events and their projected costs.

Ms. Churchard commented on the challenge for available venues for music events, which are the hot trend currently. There is not a significant inventory of free dates at WestWorld. Vice Chair Hill said that is a venue created and built from tourism funds. To take the venue and use it for so many public events while blocking corporate events is questionable. Ms. Hill surmised that with all funding requests for events, it will be important to project out future impacts and to assign priorities. Chair Dillenbeck pointed out that this has already been done. Now they must determine what is important for the City. There will be instances where events that were funded in the past will no longer be funded. Such a circumstance often creates a firestorm where complaints are lodged with the City Council and the funds are allocated anyway. The TDC has no control over City Council's choices in this regard. Councilmember Korte said that City Council is seeking TDC's priorities and for the most part it follows those priorities.

Councilwoman Whitehead stated her understanding that the intent is to bring in new events and help them to succeed before letting them fly on their own. Chair Dillenbeck stated that the approach is dependent upon the funding source.

Councilwoman Whitehead suggested a new analysis to determine trends and benefits to the City. Vice Chair Hill stated that she would tend to cut community events in order to sustain a market that is bringing revenues to the City. Ms. Churchard noted that one of the hopes is to be able to sell sponsorships from a city perspective. Ms. Hill surmised that from the comments received, the timing is appropriate to review potential modifications in terms of program priorities and allocations. Mr. Grant commented that the available funding can be increased by increasing the number of tourists in the City who pay bed tax or by increasing the rates. Mr. McKenzie stated that the hospitality would not wish to increase rates at this time.

Question 4 addressed the following: Develop consensus on tourism program priorities and tactics and provide direction to staff for the bed tax budget for program activities. Commissioner Henry commented on the fact that Scottsdale hotel business is somewhat insulated from the larger market forces because of its reputation, however they need to anticipate coming trends. Discussion ensued regarding the percentage of bed tax dollars going to Experience Scottsdale. Ms. Pearson stated that when Prop 400 was approved in 2010, Experience Scottsdale made it clear to the City that its percentage, which had sometimes been in the 80th percentile, should be reduced to no more than 50 percent. Since that time, Experience Scottsdale's rate has remained at 50 percent.

Chair Dillenbeck addressed event programs and the possibility of decreasing the maximum amounts. There has also been discussion regarding creating a category for City events, as there currently is no category in event funding to cover such events. This is why they are currently being funded out of carryover.

Commissioner Alspaugh discussed the beneficial leverage of sponsorship for community events. Commissioner Newman agreed, noting that the criteria should be modified.

Requiring sponsorships of a certain amount could also be considered for funding approval. Commissioner Alspaugh referred to the Strategic Plan, which includes the following directive: Work with community to increase donations for programs that benefit seniors and families in need. There should also be a component that benefits the community at large. Chair Dillenbeck suggested the possibility of reducing the funding amounts available for those events who present for an event in February and March. Discussion ensued regarding funding of the Stadium and it was noted that the City has not yet entertained sponsorship of the stadium. The City does retain this right in its agreement with the Giants and Charros.

Ms. Racine read the consensus statement:

As a whole, balance and diversity of events must remain and Experience Scottsdale does a great job to stay competitive and address our challenges, but adjustments could be made as to how the budget is allocated by looking at one-time events, community focused events or by providing rewards for events occurring off-season. In addition, evaluations on sponsorships or the use of charitable donations could also be reviewed.

## **7. Summary Next Steps**

Mr. Geigomah thanked everyone for their participation. Staff will compile the points made and discuss further in October.

## **8. Adjournment**

With no further business to discuss, being duly moved by Chair Dillenbeck and seconded by Commissioner Newman, the meeting adjourned at 11:18 a.m.

AYES: Chair Dillenbeck, Vice Chair Hill, Commissioners Alspaugh, Henry, McKenzie and Newman. Commissioner Winter was no longer present.

NAYS: None

SUBMITTED BY:

eScribers, LLC